



**Quarterly Progress Report
(October to December 2003)**

Submitted by:

Chemonics International Inc.

**A USAID-funded Project
Contract #623-C-00-02-00089-00**

January 15, 2004

ACRONYMS

AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CQI	Coffee Quality Institute
EAC	East African Community
EAFCFA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network project
FOODNET	Post harvest and Marketing Research Network for Eastern and Central Africa project
GDA	Global Development Alliance
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
IGO	Intergovernmental organization
IMCS	Independent Management Consulting Services
IT	Information technology
ITI	International Technology Investment Ltd.
KRA	Kenya revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and evaluation
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Programme
PMP	Performance Monitoring Plan

RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade intelligence Network
REDSO	Regional Economic Development Services Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and phyto-sanitary
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WWC	Worlds Wildest Coffee Exhibition
ZCGA	Zambia Coffee Growers Association

Table of Contents

Introduction

RATES Results Framework
RATES Approach to Technical Implementation

Progress to Date

PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Coffee
KRA 1.2: Maize
KRA 1.3: Livestock
KRA 1.4: Cotton

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened
KRA 2.2: Demand-driven technologies identified developed and utilized

PIR 3: Expanded private sector contribution to regional trade initiatives

KRA 3.1: Private sector-driven agricultural trade policies advocated
KRA 3.2: Private sector buy-ins and alliances expanded

PIR 4: Program management, monitoring and evaluation

KRA 4.1: Management and coordination mechanisms established
KRA 4.2: Program monitoring and reporting needs met

Problems Encountered/Remedial Actions Taken

Introduction

A. Overview of the RATES Program

The Regional Agricultural Trade Expansion Support (RATES) program is a five-year USAID/REDSO-funded program implemented by Chemonics International Inc., in collaboration with International Technology Investment Ltd. (ITI), Integrated Development Consultants (IDC), the Imani Development Group (Imani), Computer Frontiers Inc. (CFI), Independent Management Consulting Services (IMCS) and Land O'Lakes.

RATES activities are geared towards and principled on the belief that increases in economic growth can provide a means of attaining food security through increased production by small holder farmers, increased agricultural trade, higher incomes, and less dependence on food aid. Significant increases in agricultural production for smaller farmers are often limited because most smallholder farmers do not have ready market access for their products, and are less likely to invest in inputs such as fertilizer and improved seed that would lead to increased production.

RATES places its highest priority on identifying, organizing and moving smallholder-produced commodities through market chains. This includes food crops such as maize and roots and tubers, but there are also opportunities for farmers in the region to export to specific high-value markets, as long as effective supply chains are developed down to smallholder farmers, enabling them to meet expectations such as quality, consistency, and safety.

RATES is designed to assist REDSO and its partners to further the mission's Integrated Strategic Plan (ISP). Specifically, RATES falls under the mission's Strategic Objective (SO) 5—Enhanced African Capacity to Achieve Regional Food Security. The rationale behind this objective is that the Greater Horn of Africa (GHA) will become a food secure region only when Africans and their organizations have the capabilities needed to direct the process. This is based on a valid assumption that actions taken to strengthen institutions, improve the availability of technologies, increase cooperation and reduce policy and regulatory constraints will provide the foundation for reducing food insecurities in the region.

REDSO has identified four indicators to measure achievement of this result:

- Percentage increase of trade flows in commodities
- Number of policy changes adopted by regional inter-governmental organizations (IGOs)
- Number of formal partnerships to achieve food security objectives
- Increased public and private investments in the agricultural sector

Within this framework, RATES results will be measured in terms of significant increases in trade flows (35%) of selected commodities over the life of the project. These increases must, in turn, be sustainable in order to create the necessary agricultural growth that will lead to increases in rural incomes and corresponding decreases in regional food insecurity.

B. The RATES Results Framework

Project Goal

The project goal presented in the box to the right reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

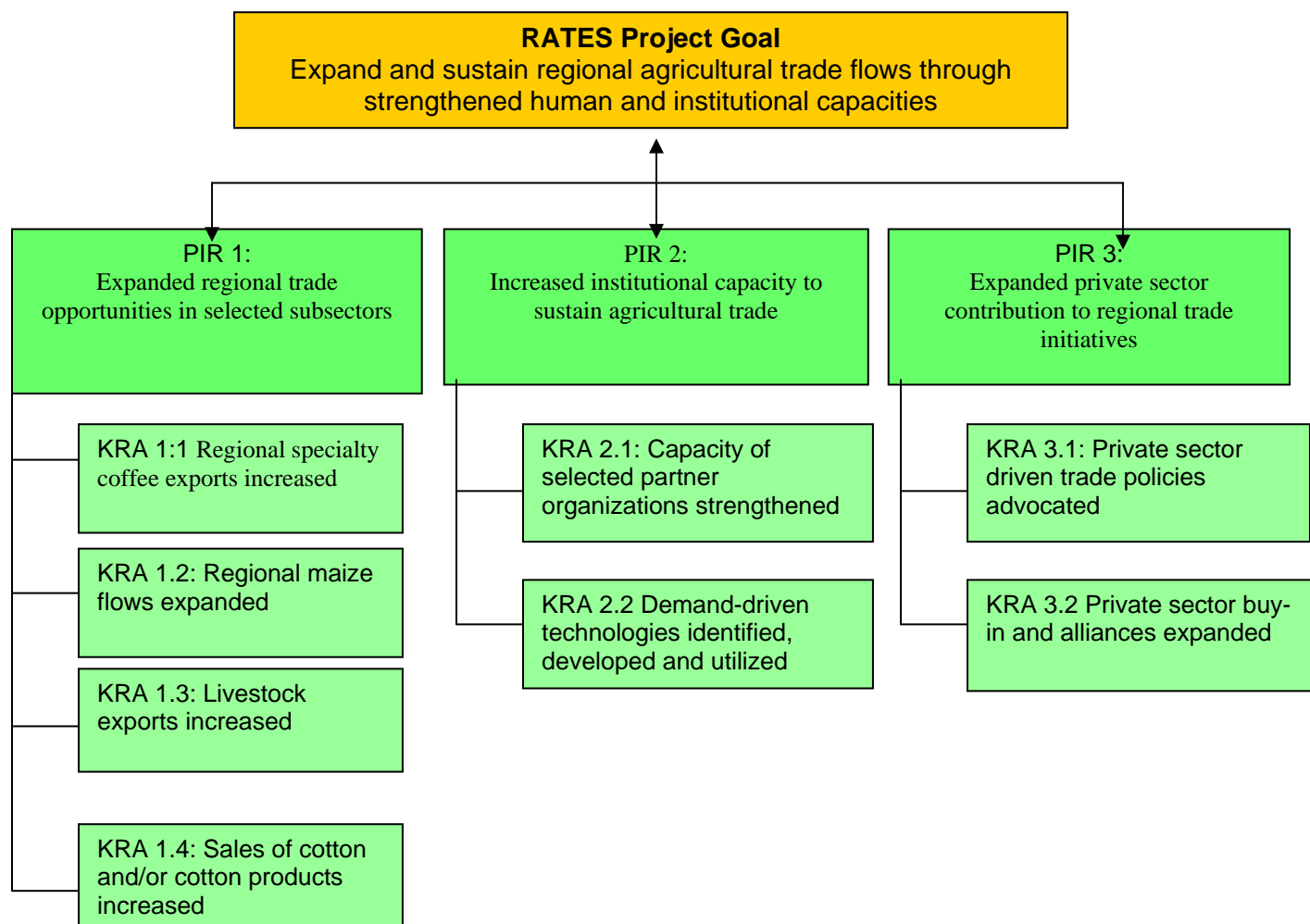
<p>RATES Project Goal Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities</p>

The Results Framework for RATES is presented below. To achieve the RATES goal, RATES has identified three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

RATES Results Framework

The project goal presented with the Results Framework below reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas. We have slightly modified the original results framework to better reflect the work on the ground, and to make it easier for reporting results. RATES has three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

Exhibit 1. RATES RESULTS FRAMEWORK



II. Progress to Date

PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Regional specialty coffee exports increased

Background. According to statistics released by USAID in January 2003, coffee is a \$10 billion industry employing over 25 million people worldwide. The majority of coffee producers are smallholders living in remote rural areas who depend heavily on the cash income from their own harvest and temporary picking work for survival. USAID is committed to creating sustainable smallholder coffee systems and to working to improve local capacities to produce and market high quality coffee, thereby increasing the price farmers earn for their product. Within this context, RATES seeks to enhance the quality, competitiveness and profitability of Eastern African coffees in global markets and improve income for producers in the region.



Exhibit 1. Small holder growers

The coffee industry is in crisis due to world wide over supply which has led to a dramatic

reduction in prices. This down turn has had a negative effect on farmers' incomes and has resulted in a reduction in the supply from Eastern Africa. The specialty or fine coffee niche is the only segment of the coffee market that is increasing. The prices paid for superior quality coffee are actually on the rise while the rest of the market continues to fall. The ICO has just reported that exports of Arabica coffees in the first two months of coffee year 2003/04 totaled 12.2 million bags and had fallen by 17% compared to the same period last year. However, prices also continue to fall as the sector is still experiencing overproduction.

Contrary to world trends, the ten member countries of EAFCA showed an overall increase in exports for the period from December 2002 to November 2003. Coffee exports expanded to 7,683,548 bags compared to exports of 7,582,325 bags for the period from December 2001 to November 2002. This occurred despite drops by several troubled regional producers including Zimbabwe, Congo DRC and Uganda.

Strategy. The Eastern African Fine Coffee Association, (EAFCA), the regional body now currently representing ten coffee producing countries of Tanzania, Kenya, Uganda, Ethiopia, Zambia, Rwanda, Burundi, Malawi, Democratic Republic of Congo and Zimbabwe is the selected partner for the specialty coffee market development strategy. The long-term strategy is to support EAFCA's efforts to position itself as a leading authority on Eastern African fine and specialty coffees, the major counterpart to member country initiatives in the provision of technical and quality certification services, and a major



actor in regional and international coffee markets. RATES is supporting EAFCA's ability to operate as an effective provider of technical and marketing services to its member chapters. We are focusing on (country and regional) specialty coffee strategy development, quality improvement, information-sharing, marketing and promotion.

Progress on activities under KRA 1.1 is presented below:

Develop Country Chapter capacity to implement marketing strategies. In order to assist member country chapters in developing marketing strategies, two activities are critical. The first is to gain an in-depth knowledge of each producer country's current and anticipated status. The second is to hold open discussions with all coffee stakeholders to share their visions for coffee marketing and the role EAFCA can play to assist them in achieving goals.

RATES is working closely with EAFCA to complete all market assessments by early next quarter, as EAFCA plans to publish a coffee yearbook this FY incorporating information from these studies. This is also aimed at increasing the secretariat's capacity as a key provider of regional coffee marketing information.

RATES assisted EAFCA by sponsoring the first national-level chapter strategy meeting in Uganda that was held in Kampala in December. National chapter meetings will continue through the next quarter in the other EAFCA countries. The Kenya chapter meeting is planned for the 2nd week of January and the Tanzania strategy meeting for the end of January. As the WWC is quickly approaching, we will hold the remaining workshops after this major event. RATES got very positive feedback from the 18 participants who attended the workshop. The participants noted that the workshop helped to:

- Provide networking opportunities
- Identify Uganda's needs in coffee marketing
- Determine a strategy to meet identified needs
- Prioritize EAFCA Uganda's activities and services.

Within a week of the first meeting, all five "non members" who attended the strategy meeting had joined EAFCA.

With support from the EAFCA secretariat, each local chapter hired part-time chapter coordinators. The coordinators will be responsible for coordinating local chapter development. They will propose and implement activities, arrange monthly meetings, collect information and provide a report to the secretariat on a monthly basis. Several chapters have met and finalized their electoral process with new officers. Others are in the process of registration. The industry meetings have developed increased interest in the chapters and membership continues to increase in most countries visited. These national-level retreats will focus on the needs of this new base, and developing specific strategic missions for increasing the chapter and the sales of specialty coffee.

RATES is encouraged that EAFCA has recorded 49 (newly paid-up) members since March 2003, when RATES began supporting the organization. This is largely a result of word of mouth over the excitement of the WWC and successes in Boston and Rome. A further indication of EAFCA's rising status is that all EAFCA chapters have booked booths at the WWC event in February. This will further strengthen the organization and give members an opportunity to work, plan and market together.



In order to improve the quality of coffee marketed from the EAFCA member countries, RATES is organizing two Coffee Corps trainings. These are a follow up to the August 2003 cupping training workshops, and will be conducted by top US cuppers. The objective of the follow up training is to continue to develop a harmonized definition of fine, specialty coffee that consistently applies within all industry stakeholders in Eastern Africa and abroad. This will be

Exhibit 2. Coffee cherries in Mbale region, Uganda.

achieved by a secondary training of the top cuppers from the 2003 tour. These cuppers will receive further in-depth training at the highest level followed by a cupping competition for the Eastern African coffees. This effort to define Eastern African coffees is an important step in determining and developing the niche for coffees from the EAFCA member countries. Volunteer roasters and buyers (who are serving as the trainers and judges) will cup and taste coffees from each EAFCA member country. Their insights will be helpful in identifying coffees with excellent market potential and defining quality standards. Professional coffee quality controllers from both the private and public sector will be provided with specific, detailed information on how to improve the quality of their own coffees and differentiate them from other fine coffees worldwide.

Towards the same goal, RATES / Coffee Corps are organizing a post February conference training on milling and grading. This training will target mill managers and chief executives from all ten EAFCA member countries. The course will train these millers to improve their milling and begin to standardize the grading throughout the region. It is expected to have an immediate effect on the coffee quality improvement from the region.

Extremely important market data about Eastern African competitiveness was received through the EAFCA members' participation in the coffee cupping pavilion undertaken by the Roasters guild. As follow up to this exercise, RATES will host a cupping pavilion as part of the World's WILDEST Coffee Conference and Exhibition. Each country chapter is holding its own competition to judge the top five coffees. These coffees from each country are being sent to Nairobi for roasting and then cupped by the top green coffee buyers and roasters who are coming to the WWC. Exposure to these potential buyers will provide valuable information about the regional and country specific strengths and

weaknesses. All coffees will be judged on the standard SCAA form that is now used in all the cupping trainings for harmonization of definition.

RATES will again sponsor a “Meet the Buyers” coffee event during the WWC. Invited guests will include about 35 major importers, roasters and buyers in the worldwide coffee industry with a similar number of EAFCA members who are active coffee traders/sellers. RATES will encourage buyer-seller discussions with these industry leaders on buyer needs and requirements for quantity, quality, service and certifications options desired. Additionally, the same player will serve on several panels during the conference to ensure that requirements for quality, social responsibility, etc., are taken on board by the member producers and traders. Comments from these buyers will be very useful in formulating strategic competitive marketing options. The event provides an excellent initial introduction for the establishment of market linkages. RATES/EAFCA will collect useful and realistic information about Buyers who are genuinely interested in assisting EAFCA and establishing linkages either through relationship coffee, cupping exchanges or sales.

Strengthen an Eastern African regional marketing strategy. As a result of recent marketing successes, EAFCA’s base has expanded beyond the original six EAFCA member countries to now include ten countries. EAFCA now includes Uganda, Tanzania, Ethiopia, Rwanda, Kenya, Burundi, Zambia, Zimbabwe, and Malawi, and the Democratic Republic of Congo (who recently joined the association).

The first quarter of 2004 has been productive in terms of RATES/EAFCA activities in marketing. The regional marketing theme of:



The World’s WILDEST Coffee – Eastern African Origin

has proven very successful. The buyers responded well to the slogan and logo and interest was created in the coffees and the African Fine Coffee Conference and Exhibition in Nairobi, February, 2004. Mr. Dub Hays- VP of Starbuck International said “it is one of the most brilliant and effective slogans I have seen”. The regional theme has been further developed on the web site www.worldswildestcoffee.com. This site informs viewers about the coffee from the region, trade contacts, as well as publicizing the 2004 event.

We will incorporate this theme into the regional marketing brochure being sponsored by RATES for EAFCA to be launched at the WWC.

The regional team spirit which was launched in Boston is now being solidified by the efforts and enthusiasm generated over the WWC and this should endure well beyond slogans. Members from all countries are realizing the benefits of marketing regionally as the issues of requiring consistency of supply and quality could be addressed in the regional context of harvest seasonality and limited quantity supplemented from neighboring countries. The US buyers also made the point that these coffees are not all well known and thus the opportunities presented by EAFCA for the buyers and roasters to come together in one place and taste the best coffees from each of the ten member countries is proving to be very attractive.

Although individual countries will have their own booths at the WWC, the overall regional marketing theme will still prevail. This will bring buyers and sellers together under a unified banner of the World's WILDEST Coffee. The significance of this unity should not be under-estimated and it clearly shows that the member countries are very willing to work together to create and finalize a regional market strategy.

Support EAFCA marketing and promotion program. 2003 has seen EAFCA doing far more self promotion of itself and its coffees than ever before, as a result of strong RATES support and guidance. The five country coffee industry meetings in August introduced EAFCA to regional coffee stakeholders with an average of 30% of those attending never having heard previously of EAFCA. Having completed the exercise of introducing the organization and its RATES assisted activities, most in attendance expressed interest in joining the organization, joining a local chapter and almost 100% wanted to participate in the WWC. Now they are fulfilling this promise with at least one booth from each member country already signed up as of December. Some key activities:

- We are encouraged that the WWC has already exceeded the financial break even point. This indicates that we are making progress on achieving sustainability of the organization. We can attribute this success to our assisting EAFCA to create a dynamic and informative web site, producing brochures that were sent out with the December issue of Tea & Coffee magazine, and the substantial word of mouth marketing. All have all been instrumental in promoting EAFCA. RATES is now sponsoring an EAFCA brochure that will be launched at the WWC in February and will highlight not only EAFCA but the coffees from the different countries.



Exhibit 3. EAFCA team at SinterCafe

- Additionally, RATES sponsored a booth and team at the Sintercafe Exhibition in Costa Rica. This coffee exhibition draws all the major buyers and roasters, and was a worthwhile investment in terms of promoting EAFCA and the WWC event. RATES made a number of key contacts at the conference and confirmed several key speakers for the WWC. RATES also supported Ms. Sula Mahoney of the Zambia Coffee Growers Association (ZCGA) to attend the event as she will be a key player in planning the 2005 event to be held in Zambia next year.
- RATES has recently contracted a communications consultant to work with the Kampala secretariat office. This professional is responsible for developing marketing and promotional materials for the organization, including a newsletter, brochure and improved web site. We have already begun reconstruction of www.eafca.org and there is substantial work required to fully utilize the potential of this medium.

Support design and startup of full regional technical services support program.

RATES has hired Chris von Zastrow, a well-known coffee expert, as the new long-term coffee specialist. Chris replaces Harry Mrema, who is leaving the program to focus full-time on his work with an NGO supporting coffee producers in Tanzania. Chris has already begun sample collection in the Mbale region of Uganda for the pilot appellation project that will be an important step towards EAFCA becoming a resource not only for the region, but for the coffee world as much of the work done will be pioneering in the coffee appellation field.

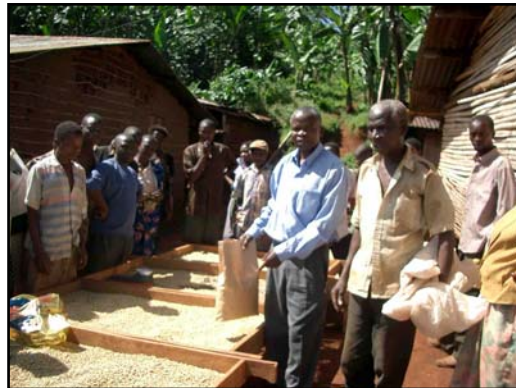


Exhibit 4. Sampling in Mbale region of Uganda

Additionally, plans are underway for the cupping and milling trainings in February. RATES/EAFCA is collecting additional strategic information at the chapter meetings as members indicate needs for assistance such as cupping training, or informing farmers with various technical aspects of coffee cultivation. These chapter level needs will eventually flow into the secretariat so that services become member driven. The RATES/EAFCA team also attended several CABI/ CORNET, etc meetings to begin the bridge building that will lead to the linked web sites.

KRA 1.2: Regional maize flows expanded

Strategy. Maize is the major food crop in the region and a key component of food security programs. It is not uncommon for certain parts of the region to be hit by severe seasonal food shortages despite available maize stocks in nearby countries. The “distance” between the demand and the supply is measured both in kilometers and by border barriers. The RATES maize program has the long-term goal to improve the flow and expand the availability of maize that will contribute to regional market stabilization and an increase in farmer confidence in producing the crop. The two-component maize

program follows the regional theme of “Maize without Borders”. The first component is aimed at reducing policy and regulatory trade barriers through a private and public sector driven program that was launched last year through the auspices of COMESA and EAC. This program is managed through PIR3: KRA 3.1. The second component is focused on improved trade facilitation and is supported through the RATES Trade Office. Key activities in this component include the collaboratively managed market information web-site: Regional Agriculture Trade Intelligence Network or RATIN which is complimented by TradeAfrica.biz, a trade linkage site managed by RATES (Exhibit 5).



Exhibit 5. The Regional Agricultural Trade Intelligence Network, funded by USAID/REDSO, is the result of an effective collaboration between RATES, FEWSNET and FOODNET

Background. During the 2002/03 program year, a National Resource Person (NRP) was selected in seven target countries to research and complete a maize market analysis and value-chain study. The study was followed by seven National Trade Policy Workshops that defined regulatory and policy constraints that negatively affected regional maize trade. From the seven studies and the workshop deliberations, RATES developed a Regional Maize Trade Policy Paper that formed the basis of discussion at a Regional Conference on Maize Trade Policy. Also from the national workshops, an informal National Working Group was formed for each country from attending participants represented by key government agencies involved with customs, SPS, grades and standards, and by key trade leaders in the private sector. This working group, along with the resource person, made up the team of delegates that attended the Regional Conference in September 2003 and successfully negotiated a trade policy platform that is being introduced into the COMESA and EAC agendas for 2004.

Continue collaboration and management of the Regional Agricultural Trade Intelligence Network (RATIN). RATIN was officially launched in Uganda in October by the FOODNET team and in Tanzania in November by the RATES team. The Kenya launch by the FEWSNET team is scheduled next quarter in February. In November,

RATES hosted the Dar es Salaam function that was attended by over 40 participants. The keynote speaker was Ambassador Ali Mchumo, the East African Community Deputy Secretary General.



Exhibit 6. Ambassador Ali Mchumo, the East African Community Deputy Secretary General launches the RATIN and *Tradeafrica.biz* sites in Dar es Salaam

Steven Njukia, Maize Marketing Specialist for RATES, attended the launch of RATIN by FOODNET in Kampala on November 7th, 2003 where over 30 stakeholders heard presentations on the benefits of www.RATIN.org and www.tradeafrica.biz. The RATES sub-contactor, Computer Frontiers Inc. (CFI) has been working with FOODNET in Kampala on the RATIN site upgrade allowing for direct data transfer using cellular SMS. This activity will be completed next quarter.

RATES continues to update the RATIN site on key policy issues informing readers as to progress on policy reform activities and updating import/export regulations. The RATES Trade Office submits market news items weekly and has greatly expanded the site's trade directory. There has been general interest among the RATIN consortium to expand the geographical reach of RATIN to include Mozambique, Malawi and Zambia. On December 16, Tom Carr the RATES technical director, attended a meeting in Johannesburg organized by REDSO to meet with stakeholders from the region who have an interest in the program. The participants concurred with the expansion program and steps are being taken by FOODNET and FEWSNET to start the process. RATES is already working in Malawi and Zambia, and will work through CFI to upgrade the site to handle the increased load.

Commence Commercial Trade Facilitation Through the RATES Trade Office. To address the challenges of managing real time market information and trade linkage sites the *RATES Trade Office* was opened in September 2003 and is currently staffed by a full-time Trade Office Facilitator dedicated to the upkeep and management of both the sites. This office operates as a pro-active call center to manage trade inquiries through the internet, email, telephone, SMS, and radio. All site hits and trade postings are monitored and tracked for transactional viability and completion.

Table 1. Quarterly Web Server Statistics – *Tradeafrica.biz*

Classification	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Successful Requests	37,888				37,888
Average requests per day	567				567
Distinct files requested	1049				1049
Distinct Hosts Served	563				563

Table 2. *Tradeafrica.biz* : Volume of Business

Inquiries to Buy Maize	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Number of Companies	12				12
Volume in MT	33,870				33,870
Value in USD	\$ 5,329,437				\$ 5,329,437
Average Price/MT	\$157/MT				\$157/MT

Offers to Sell Maize	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Number of Companies	4				4
Volume in MT	12,505				12,505
Value in USD	\$2,262,786				\$2,262,786
Average Price/MT	\$181/mt				\$181/mt

The RATES Trade Office has also been active in promoting inter-regional trade at various forums including:

- RATES shared a booth with the Kenya National Cereals and Produce Board at the Kenya International Trade Fair from October 1-6, 2003.
- RATES was invited to make a presentation on RATIN and Tradeafrica.biz in October 2003, at the ICT for Agriculture Conference sponsored by the Office of the President and the Kenya Public & Private Sector Alliance.

Improve trade access to import/export regulation information. The maize specialist met with Dr. Cheyeget, Dr. Weggoro, and Mr. James Kuleiye of EAC in Arusha on November 5 to start the process of producing guideline handbooks on import and export regulations targeting the small and medium traders as well as officials manning border posts. These publications will be printed through the auspices of EAC and the respective revenue authorities of Kenya, Tanzania, and Uganda. Publication and distribution will be

followed by a training and promotion program targeting trader associations and customs officials. Regulations will also be posted on the RATIN and Tradeafrica.Biz websites.

RATES and FEWSNET are collaborating on a regional (EAC) conference for small and medium cross-border maize traders scheduled for February 2004. Preliminary meetings have been held this quarter to plan the conference. One of RATES' tasks will be to lead the conference in regulatory and policy issues and to keep traders updated on recent policy harmonization achievements.



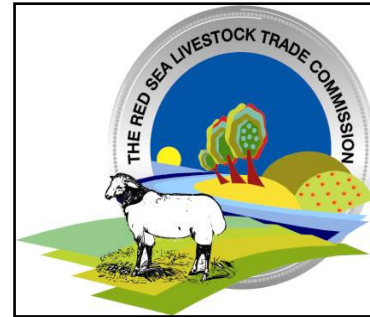
Exhibit 7. The new Tradeafrica.biz site is the only trade linkage site for maize in the COMESA Region and has attracted 38,000 hits since it was launched in September 2003

Strengthen formation of the Regional Trade Network. RATES continued to build upon the Regional Trade Network concept by holding business meetings with network members in Zambia and Malawi. The business meeting in Lusaka, held on November 25, 2003 at the Holiday Inn, was conducted by the Zambia Millers Association. Over 20 invited participants from the maize trade and processing sub-sector enjoyed presentations on RATIN and Tradeafrica.biz and engaged in an open forum on trade policy and marketing issues which were noted by RATES staff. The Blantyre meeting held at the Mount Soche Hotel on November 26, 2003 was organized by RATES. Over 15 invited guests followed a program similar to the Lusaka meeting.

Steve Njukia and Tom Carr participated at the consortium meeting held at the Nairobi Holiday Inn on November 6, 2003. The meeting, attended by over 100 participants, was hosted by the Kenya Maize Development Project managed by ACDI/VOCA (USAID) – a key player in the regional network.

KRA 1.3: Livestock exports increased

Strategy. AU-IBAR is the institutional partner for the RATES livestock sector program. The long-term strategy is to work with and through IBAR to set up a Red Sea Livestock Trade Commission (RSLTC) that will operate with private sector approaches to open the lucrative Middle Eastern market to livestock from the Greater Horn of Africa. To do this effectively, the RSLTC will be set up to harmonize, regulate and supervise the livestock trade from Africa to the Middle East. Through information, training and technical support, the Commission will also support private inspection and quality assurance services and the integrity of the livestock trade services. The goal for the effort is to support delivery of quality, disease-free livestock from GHA countries to the Middle Eastern market.



Identify livestock trade market requirements and constraints. RATES recently hosted a meeting in Dubai that brought together members of the private sector from both the exporting (Somalia, Djibouti, Kenya, Uganda, Ethiopia, Eritrea, Tanzania) and the importing (Bahrain, Oman, Qatar, Lebanon, Egypt, Kuwait and UAE (proposed participants from Yemen were not granted visas).

AU-IBAR has been planning a program to identify market parameters and opportunities in Yemen, United Arab Emirates, Saudi Arabia, and Egypt. RATES will assist in this activity by providing core RATES staff and other program resources.



Exhibit 8. Group photo of Dubai conference participants

These market studies will provide important market information collected in interviews with target buyers, government and private sector health officials, transporters and other key players. This will be an in depth demand study which will build upon the contacts and introductions made in Dubai. Some work has already begun with interviews and market data currently being collected in the UAE and in Egypt which will provide information on the constraints to trade and the competitive advantage of countries like Australia.

Develop Red Sea LTC Trader association model for implementations. Livestock Trade Association (LTA) Development has started under the PLP program and will be supported by RATES. Although the association model changes from country-to-country, RATES will assist in creating a model that will guide new association development and will assist in the strengthening process for existing associations and with business plan models. The PLP training has been conducted by AU-IBAR in Djibouti and Somali Puntland.

- The Djibouti Livestock Traders Association will be the first model as this will strengthen them to assist in the management and supervision of the Djibouti LHF. Djibouti and Kenya associations are fairly new but follow a private sector approach and are formed by the livestock traders. Both are very active and have started to acquire assets and pursue market linkages.
- LTAs in Eritrea, Zambia, Burundi, Tanzania and Somalia are weak and are in the interim formation stage. Some have stalled due to leadership and sustainability issues.
- Associations in Sudan have existed for some time and are operating, but have considerable public sector involvement.

Support Livestock marketing & promotion program. RATES livestock and marketing promotion program will be in two phases. To date, there is no verifiable demand information from the Middle East. RATES believes it is critical to have the demand data as well as interview needs, in order to develop a marketing program.

Market information gathered in Dubai illustrates that the relationship between Middle Eastern buyers and African sellers has deteriorated and there is very little up to date information available to link them. Thus RATES has begun work on a web site which will provide supply and demand information to the traders and enable them to become “re acquainted” with each other. This will serve as a web based trading platform. This is a private sector market driven activity as the idea was generated and formed during the traders meetings RATES held and facilitated in Dubai.

Support development of model pilot livestock holding facility. RATES was instrumental in getting this process started by fielding a team of experts for a feasibility study of a prototype holding pen in Djibouti. The results of their findings, the design and feasibility study, were presented in Dubai in September. Participants were invited from the private and public sectors of African and the Middle East to listen and learn about the facility design and contribute to its development. It was felt that they must “own and understand” the facility design in order to fully support it once it becomes operational. This model facility will support transnational trade of livestock and will need the support of all key stakeholders for successful implementation. RATES will participate in stakeholders consultative meetings planned for the facility.

Additionally, RATES will be involved in finding and fielding a team of environmental waste management experts to Djibouti in order to ensure that there are no negative effects from the substantial quantities of effluents created by the animals in the pilot facility. The team will be fielded in the 2nd quarter and are expected to add to the current design a cost

effective and environmentally sound method of capturing and disposing the animal waste generated at the Djibouti facility.

KRA 1.4: Regional Cotton/Textile Trade Increased

Strategy. A key part of the strategy to meet RATES objectives in the cotton sector is to focus on the regional textile industry as a main *buyer* of regionally (and mostly smallholder) produced lint, and as a *seller* of textile products taking advantage, where applicable, of opportunities provided under AGOA. Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES will work with the industry to develop and strengthen regional markets. RATES will promote and implement programs for improved regional competitiveness that will position the sector to work to best advantage in national, regional and export markets.

Background: Program activities commenced during 2003 to lay the groundwork for a full implementation program this year. Cotton market analysis were conducted in seven countries – Kenya, Uganda, Tanzania, Ethiopia, Zambia, Malawi, and Zimbabwe – and market chain studies of those countries indicated that there is significant potential to increase trade in the textile sub-sector. A Cotton Trade Directory has been started based on those studies. A regional study was completed by Dr. John Cockcroft to assess the inter-region supply chain – lint to textiles to apparel – and he has strongly endorsed a program for regional networking and trade linkage



Exhibit 9. Textile plant in Tanzania

basing his recommendation on his finding that there is urgent corporate demand for a regional approach to international market competitiveness. RATES core staff have visited several ginning, textile and apparel concerns in the region and have verified the private sector concern for their lack of preparedness to meet AGOA and WTO conditionalities for 2004 and 2005. RATES has recruited a full time Cotton Marketing Specialist; Barry Fisher from COTTCO Zimbabwe, who joined the RATES Team in November 2003.

A key element in the 2004 program is the direct ownership of the program by the industry that requires RATES to meet with national base organizations to build consensus and to lay the foundation for regional vertical integration of the supply structure requiring attention to networking, trade linkage and trade information. RATES is working with national and regional organizations – including IGOs - to gain support for the regional integration approach to cotton development. As with maize, RATES supports a private

sector driven program to identify trade policy constraints for cotton that are vetted at the appropriate regional and national forums.

It is also essential that RATES coordinates closely with the ECA Global Competitive HUB based in Nairobi, and the Southern HUB in Gabarone, especially where it concerns the AGOA program and cross-regional supply systems. RATES and the Hubs will schedule periodic meetings to ensure a smooth working relationship.

Promote the regional integration concept. The first task undertaken by the newly recruited Cotton Marketing Specialist (CMS), Barry Fisher was to start the process of meeting with nationally based industry organizations and leading companies in several target countries to promote the concept of a “regional trade community” for the cotton/textile sector. During the months of November and December, the CMS covered the countries of Kenya, Uganda, Tanzania, Zambia, Malawi and Zimbabwe. The “multi-task” program was intended to cover as many tasks as possible including the trade directory, and regional supply systems, but with the main focus on regional integration and networking systems.



Exhibit 10. The Tanzania-China Friendship Textile Co. in Dar es Salaam

On December 4, 2003, RATES held a cotton/textile focus group at the Holiday Inn in Nairobi. Eight prominent leaders in the sector were invited from six different countries to participate in a open forum on regional trade issues. Although each participant was invited to present individual country perspectives, the purpose of the meeting was to solicit first-hand insight into regionally based trade constraints, supply problems, global representation weaknesses and communication/linkage issues.

Regional Trade Network Structure. As part of the regional integration process, RATES is proceeding on the development of a network structure to engage the key industry players in fruitful trade linkages and to provide information on business opportunities. Even more critical to regional sustainability is the need for regional participation and representation in policy dialog at international forums (AGOA, WTO).



Exhibit 11. This textile mill in Mauritius represents a key element in the regional integration strategy pursued by RATES

The need for a regional trade community was clearly illustrated in the RATES analysis of the industry conducted by Dr. Cockcroft, and is supported by Stephen Lande, President of Manchester Trade Ltd., in his presentation at the AGOA conference in Washington in December 2003 when he refers to the importance of regional trade communities (Ref. “Regional Groups are Key for Developing Nations to Compete in Global Markets”). Such a community is best identified and supported by the industry players themselves from conception to implementation, and RATES is prepared to play an instrumental role in facilitating the design and formation of a such a regional trade body.

The cotton marketing specialist (CMS), attended the AGOA Conference in Washington DC from December 8th to 9th, 2003. Gaining first hand knowledge from presentations by WTO and AGOA officials will guide the CMS towards developing assistance/service programs for a region currently lacking such network support.

Design and implement trade linkage and communication systems. RATES has started preliminary work on the design and creation of a regional cotton industry trade linkage web-site for cotton – lint and textiles – linking suppliers and buyers region-wide. The initial focus will be the supply of regionally produced lint to the textile sector and fabrics to the apparel sector to meet the AGOA conditionality of 9/30/03. The web-site will also post a comprehensive Cotton Trade Directory listing all companies and products serving the Region. The first draft of the directory has been completed and awaits the completion of the web-site. The site will also serve as the sector voice in the region providing trade news, updates, and trade regulation/policy interventions. The site will be managed in the interim by the RATES Trade Office, using a pro-active call center approach. Initial discussions with the web-site design company have commenced and it expected that the contract will be signed and work will start in early January, next quarter.

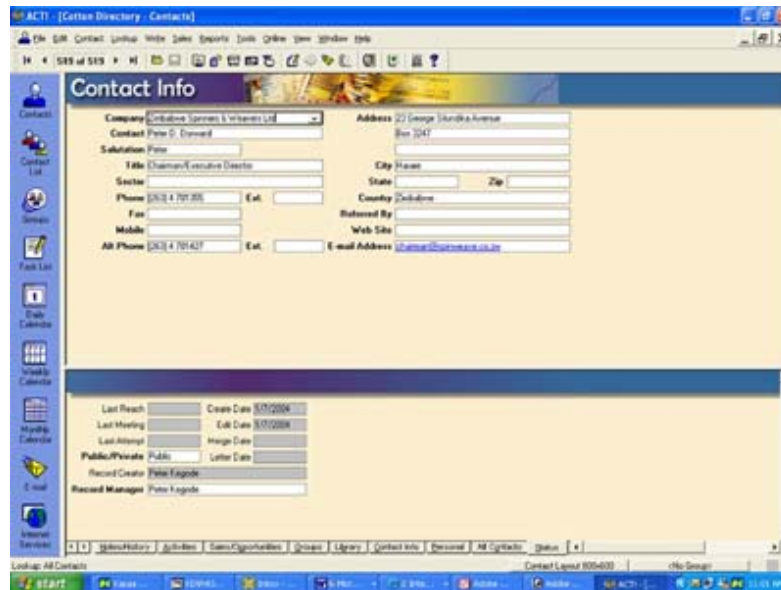


Exhibit 12. The first draft of the Cotton Trade Directory has been completed this quarter

Regional Supply Capacity. The CMS has started the final process to complete the regional supply/demand inventory system, an effort started in 2003 with the seven national market chain studies. The activity requires further detailed historical and current data collection on cotton production, and both “installed capacity” as well as actual output for lint, yarn, textiles, and apparel. Such a data base is currently being designed by the RATES ICT officer and will require periodic updating (hopefully annually).

KRA 1.5: Regional trade in dairy products increased

Strategy. RATES’ program in the dairy sector is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with exportable surplus. Identification of target markets has started and milk-deficient countries in the region that undergo a market demand assessment will be considered (i.e. Malawi, Mauritius, and Tanzania) along with some external markets including West Africa and the Middle East. Although the term “surplus” follows a standard production/consumption definition, the program will not hold fast to this rule since there is potential in some “deficit” countries like Mauritius to export limited products as well.

Background. In November 2003, RATES signed a sub-contract with Land O’Lakes (LOL) Regional Office based in Nairobi to provide a long term dairy marketing specialist, Mr. Moses Nyabila, to be based in the RATES office. Mr. Nyabila, a Kenya citizen, was previously employed by LOL in Uganda, and brings several years of private sector and development experience to the RATES technical team. The LOL subcontract brings significant institutional and technical strength to the program including several bilateral mission supported dairy projects in the regional and field support structures.

The RATES dairy strategy encourages industry ownership of the program that will lay the foundation for regional networking, trade linkage and trade information. We will identify and provide institutional support to national and regional organizations that are key players in advocating policy reform and promoting trade initiatives. RATES will also link with the ongoing dairy policy program of ECAPAPA and will collaborate with them to formulate a dairy policy platform that will be introduced through the COMESA and EAC systems. As with maize, RATES supports a private sector driven program to identify trade policy constraints for dairy that are vetted at the appropriate regional and national forums.

This is the first reporting quarter for the new dairy initiative. While based in Uganda, the new Dairy Marketing Specialist (DMS), Moses Nyabila, dedicated eight work weeks in Nairobi during November and December to assist in the strategy formation and to participate in the development of the annual work plan.

He also made significant strides during this limited time span to initiate contacts with private and public sector colleagues in the dairy sector to set the stage for a full action program commencing next quarter by which time he will have made the physical move to Kenya.

Identify and facilitate development of export markets for dairy products. Taking advantage of Land O' Lakes offices in Kenya, Uganda, Malawi, Zambia, and Tanzania, a "country dairy sector profile" was designed and sent to these locations to establish a quick "snapshot" picture of the state of the dairy sector in each country. Although more comprehensive studies will be carried out under the auspices of the RATES/ECAPAPA policy activity, these profiles will help differentiate between the export and import potential of the selected countries. The profiles are due back in January 2004.

The RATES policy office completed the task of downloading and compiling COMESA import/export data on dairy products and defining product classifications into shelf product classifications. RATES has also secured the official East African Community's grades and standards for dairy products that include unprocessed whole milk, milk ices and ice cream, and yoghurts. These will be used as a starting point for regional harmonization (COMESA).

Facilitate the resolution of dairy trade impediments. RATES and LOL has identified two trade zones where dairy trade can be enhanced through a negotiated process to resolve trade disputes between two countries. Working with EAC, COMESA and perhaps SADC, as well as key industry and public sector stakeholders, trade disputes between (1) Kenya and Uganda, and (2) between Zambia and South Africa, can be arbitrated through accepted channels with RATES assistance.

The RATES technical team, along with technicians from LOL, met on November 20th, and December 9th, 2003 to develop the appropriate strategy and plan of action. One of the

first activities will be the preparation of specific policy briefs that will lay the foundation for the formation of “trade negotiation” working groups formed under the auspices of the appropriate IGO. These briefs are scheduled for completion in February 2004. The RATES DMS also met with the Dairy Development Authority of Uganda and private sector processors on November 26th to lay the groundwork for trade discussions with Kenya.

RATES worked with Alpha Dairies Ltd. and the Kenya Dairy Board (KDB) to work out an import dispute between Uganda and Kenya. The dispute, ending with a reversal of an earlier decision against the company, is a prime example of the use of discretionary authority to “protect” an industry while unknowingly creating barriers to trade and hindering industry development. The dispute will be cited during the Uganda/Kenya trade deliberations.

Inter-regional market linkage systems. RATES has initiated a review process on regional market linkage/market intelligence options available to the sector. The RATES DMS will be meeting with key stakeholders and trade association leaders throughout the region to assess the demand for regionally focused communication and information services. Business meetings with sector officials are planned for next quarter. Such meetings will be planned with a full agenda covering policy issues, trade expansion, market information, trade linkages and regional networking. If the concept of a regional dairy trade website is well received then one will be designed and managed through the RATES Trade Office.

The first draft of a Regional Dairy Trade Directory has been completed. The directory is a necessary tool for trade linkage and will be part of the new internet site. The RATES DMS has also started research on mapping regional dairy capacity through the country profile activity.

In November 2003, the RATES DMS and technical director attended a consultative meeting in Nairobi on dairy exports co-hosted by the Kenya Dairy Board, Export Promotion Board and the Kenya Dairy Processors Association. The DMS had the opportunity to conduct a presentation on an export strategy for Kenya. The meeting served as an introduction to the dairy trade in Kenya of RATES entry into the dairy sector.



Exhibit 13. Fresh milk on super market shelves

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened

Strategy. RATES will support the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during the work plan period will target and continue with partner institutions with which REDSO has already initiated the PIVA process.

Provide targeted support to EAFCA. During this quarter, RATES expanded their support to EAFCA to include financial support of operational costs of the secretariat. RATES is still assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development, and position EAFCA in the longer-term to maximize opportunity for revenue generation and sustainable operation.

The RATES Monitoring and Evaluation specialist accompanied USAID to Kampala to begin the PIVA process and it was noted that already EAFCA has made several progressive steps with RATES involvement. RATES has been working closely with EAFCA on development and adherence to new budgets, financed by the RATES Partners Fund. EAFCA has adopted the suggestion of moving offices which should cut rental expenses by about a quarter. EAFCA has been involved with RATES on the chapter strategy meetings and substantial capacity has been built there so that eventually they can run those meetings without RATES core technical support. Most importantly, EAFCA has gained capacity in its ability to assist in the operational, promotional and logistical aspects of the WWC. EAFCA has been handling all the finances for the event, speaker invitations, etc. as well as assisting in determining the next venue and dates for 2005. They will be setting and planning their own booths at the WWC.

Feedback is very positive on the contribution of the new Coffee Specialist who arrived in Kampala this quarter. It was found that the technical, marketing and management requirements of EAFCA were such that a very high caliber of candidate was required and RATES hired Chris Von Zastrow, who served as a cupping training instructor during the recent Coffee Corp tour and who is an experienced coffee trader and quality expert.

Provide Targeted support to Red Sea Livestock Trade Commission. The LTC is not yet formally registered and all of its formative activities are in preliminary stages, thus RATES hopes that it shall be a major influencing factor in the design of the eventual structure and functionality of the commission. RATES is however, constrained by accessibility and cooperation of key LTC personnel but have already begun the process of developing an operational business plan for the LTC. RATES hopes to assist LTC to generate activities which are revenue producing in order to avoid becoming a donor driven organization.

RATES hopes to play a key role in the institutional formation of RSLTC. RATES and AU-IBAR are finalizing the contract process that will allow for the start of key activities including legal services required for the comprehensive registration process and

institutional design process. The information matrix for various registration and recognition will be processed through AU-IBAR and the Kenya Government. The instruments of recognition for RSLTC should be finalized within the next work plan, as it involves consultation with various Governments which AU-IBAR and RSLTC co-operates.

RATES is providing direct technical assistance for the operational business planning process. This activity is being provided by core RATES staff and focuses on assessing the actual staffing and financial resources required to operationalize the LTC. The business plan will be developed in collaboration with RSLTC and may call for budgetary rationalization based on break even budgets are being produced and a variety of income producing strategies will be examined. The market supply information gathered in Africa and the demand from Middle East will be important factors in this plan. It is anticipated that this plan will be finalized by mid 2004 but preliminary work has already begun.

Once this operational business plan is in effect, RATES will sponsor a strategic planning session with industry stakeholders and associations to develop a long term strategic plan.

The LTC hosted a steering committee meeting in Port Said in June of 2003 which was attended by RATES. The decisions made in this meeting regarding the legal structure, the regulatory framework and the adoption of the draft charter, will all positively influence the formalization of the Red Sea Livestock Trade Association. RATES is keen to support LTC registration and legalization as a building block for future growth and development.

- RATES will continue to assist the LTC this year to analyze the feasibility of a livestock holding facility in Djibouti which could be the primary source of revenue to make the commission sustainable.
- Last quarter, RATES hosted a meeting of potential stakeholders and users of the Djibouti Livestock Holding Facility. This major event concluded with unanimous agreement to proceed with the construction of the LHF in Djibouti and this will be a major RATES activity in 2004. Both the revenue and the good will created by the facility will provide a platform for LTC sustainability.
- RATES is assisting the LTC in development of a tender for the construction of the Djibouti Livestock holding facility.
- RATES is assisting LTC through core support in the development of an operational business plan which will provide a more realistic framework for growth than the previous budgets and plans on the table.
- RATES attended the Steering committee meeting to determine ways in which RATES can assist LTC in formalizing their structure.

KRA 2.2: Demand-driven technologies identified, developed and utilized

Strategy. To achieve RATES ambitious targets of 35% increase in volume/value of selected commodities, RATES is focusing on technologies that are used to help promote increased trade. RATES' strategy is to work with selected private service providers who offer specialized technical expertise in identified areas of need. There are many technology providers already at work within the region with a wealth of information to tap into. RATES will form linkages with these technology and research networks relevant to the targeted commodities. We will also partner with on-going bilateral development projects.

Identify and support appropriate technologies for targeted commodities. Below, we provide progress by selected commodities:

EAFCA. The primary technology identified and utilized for coffee and EAFCA during the year has been the development of a web site to promote the 2004 Conference. The site also promotes EAFCA. The www.worldswildestcoffee.com site has attracted substantial attention. The average daily hits are in excess of 1,000 and there is a trend now towards over half coming straight to the site. The site also shows up on the first page, sometimes first item, in search engines such as Yahoo, Google, etc. with several key words. On line registrations for the conference are coming in through the site as well. RATES has hired a professional writer for EAFCA in this quarter who is updating the www.eafca.org site, as well as developing an online (and on paper) newsletter, etc.

The most exciting technological leap began in October with onset of the Uganda appellation activity that will incorporate Global Positioning Systems (GPS) technology to help identify superior coffee growing areas based on detailed on-the-ground quality characteristics. This technology will be used to identify and delineate areas of special coffee characteristics. The USGS will train trainers and then develop a web based mapping system in conjunction with Makerere University.

RSLTC. The Djibouti livestock holding facility, whose feasibility study, design and construction are being supported by RATES, will have as a key component the identification and utilization of computerized tracking and information devices which will allow for individual animal identification and thus ensure their quality and health upon arrival.

RATES Trade Office. Operating under the call-center concept, the trade office is utilizing data-base website design to introduce trade linkage systems to the region for the first time. Trade linkage sites are managed by the trade office for maize, textiles (Cottonafrica.com) and dairy. The maize and beans site, already running under the Tradeafrica.biz domain, will be expanded to include pulses and can be easily adjusted to cover oilseeds and other grains. The linkage sites use the latest technology allowing for site – to cellular SMS communication and are backed up by the trade facilitator with access to facsimile, landlines, email and cellular systems. All commodity trade sites incorporate trade directories using the ACT program.

Regional Agricultural Trade Policy Support and Monitoring Office. Policies are formulated and implemented within a dynamic environment. Issues around particular commodities will be at different stages of formulation and implementation along the “policy platform ladder”. These issues will be loaded onto a web-based Agricultural Trade Policy Platform, the aim of which is to promote policy debate and act as a transparent framework for tracking policy developments regionally and in the individual COMESA and EAC member States

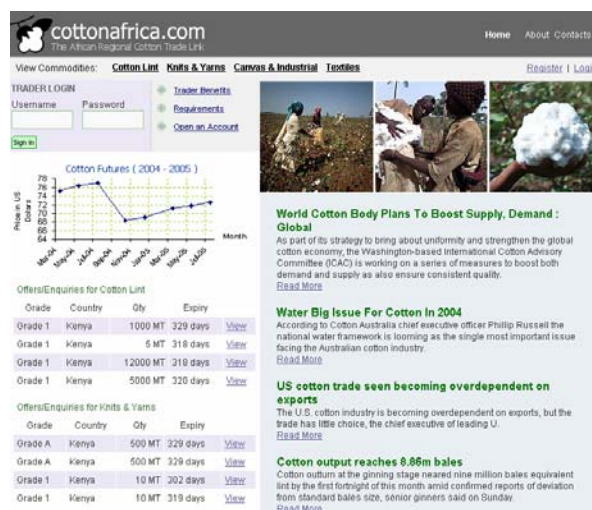


Exhibit 14. Cottonafrica Beta web page

KRA 3.1: Private sector-driven agricultural trade policies advocated

Strategy. The strategy for this KRA is to identify trade policy constraints and to initiate change through regional institutions such as COMESA, EAC and SADC. Key activities during the quarter covered policy issues related to maize, cotton and textiles, dairy and livestock as well as cross-cutting activities.

Assist COMESA and EAC to implement recommendations of the regional maize trade conference. RATES made significant progress on promoting the regional “Maize with Borders” concept. Key activities included:

- RATES attended the 13th Trade and Customs Committee meeting held in Lilongwe, Malawi in October 2003 to ensure that the “Maize without Borders” program continues through the COMESA decision-making process. The Trade and Customs Committee is one of the key COMESA committees involved in regional policy, and a key partner with RATES.
- RATES also participated in several other key COMESA meetings held during the quarter. These included the Inter-governmental Committee of Experts (ICE) held in November and the Council of Ministers held in Lusaka in early December. The Maize

without Borders concept was well received at both meetings. In fact, the regional concept was highlighted in the opening statements by the Zambian Deputy Minister of Trade, Eugene Appell, and the Zambian Vice-President, Dr. Nevers Mumba.

- The regional maize policy platform was formally endorsed by the Council of Ministers (as contained in Document COM/CM/XVI/2). During next quarter, RATES will work with the COMESA Secretariat and relevant committees to implement the decisions coming out of the Council of Ministers meeting

Regional maize standards. During the quarter, RATES worked closely with COMESA's Standards and Quality Assurance (SQA) Committee to promote regional standards in RATES-supported commodities. The trade policy advisor participated in the Sub-Committee on Standards held at the COMESA Secretariat in December. Eleven COMESA attended this session that focused on maize standards. Of note:

- With RATES encouragement, the Sub-Committee agreed to use the EAC Standards on maize as input into development of COMESA harmonized standards. This should avoid duplication of efforts and give COMESA a good foundation from which to start negotiations.
- Two sets of COMESA harmonized text have been developed for maize as follows: Standard for Maize (Corn) Flour, de-germed, based on CODEX STAN 155-1985 (Rev.1-1995); and Standard for Maize (Corn) Flour, De-germed, based on CODEX STAN 155-1985 (Rev.1-1995).
- The next step is to work with COMESA SQA and the National Standards Bureaus (NSBs) (particularly in the six major maize producing countries) to ensure that the proposed regional maize standards are formally adopted and then implemented at the national level.
- RATES attended a meeting with Michael Hall, REDSO's regional Biotechnology advisor, and later in November with Mike and Don MacKenzie of PBS to initiate work on developing regional phyto-sanitary regulations. It was agreed that all activities would be pursued within the framework of the COMESA program on regional bio-safety policy that is supported by USAID/REDSO.

Assist COMESA and EAC to develop a regional trade policy framework for cotton and textile sector. RATES completed a comprehensive analysis of cotton lint, yarn and fabric traded within the region and internationally. RATES also analyzed data on duties and tariffs imposed by all COMESA and EAC countries. These data were presented at the cotton and textile stakeholder forum held in December (see page 19 for details).

Identify constraints and develop regional policy/regulatory platform in dairy. RATES and ECAPAPA agreed to collaborate on developing a regional dairy policy platform. ECAPAPA has already completed preliminary work in Uganda, Kenya, Tanzania, Ethiopia and Rwanda. RATES will cover three additional countries including Zambia Malawi and Mauritius. We will begin national level policy studies for these

countries next quarter. As a first step, the RATES policy team collected dairy products baseline data. They also compiled a regional “duties and tariff matrix as input to the study.

Establish Regional Agricultural Trade Policy Support and Monitoring Office (Ag. Trade PSMO) with focus on selected agricultural commodities. During the quarter, RATES hired Shemmy Simuyemba as the new Lusaka-based trade policy advisor, and established an Agricultural Trade Policy Support and Monitoring Office (PSMO) at the COMESA Secretariat in Lusaka. Shemmy will share an office with the ECA Hub policy advisor also based at the secretariat.

Support to South Sudan Economic Commission. As an “add-on” activity, RATES was asked by REDSO to provide support to the South Sudan Economic Commission Trade Policy Dialogue workshop that took place in Southern Sudan on 18th and 19th November 2003. This activity was done in collaboration with the ECA Hub, and the USAID Sudan team. RATES assisted the participants to better understand regional and international trade agreements within the context of the current peace negotiations with North Sudan. At the request of the Sudanese, the trade policy Advisor returned to Sudan early in December to assist in the drafting the trade policy portion of the "Blueprint" document.



Exhibit 15. Meeting of the SPLM Economic Commission

KRA 3.2: Private sector buy-in and alliances expanded

Strategy. A major measure of RATES success will be the extent to which we increase involvement of private sector constituencies in developing agricultural trade expansion initiatives. This requires working directly within the marketplace, designing activities that incorporate opportunity for business involvement, and providing ongoing support to identified business to business linkages.

Identify and facilitate market linkages in RATES supported activities.

Coffee. RATES is promoting market linkage opportunities at the WWC Conference to ensure that contacts made through other RATES sponsored events are maintained. The conference will provide an opportunity for buyers and roasters to experience African coffees first hand and to develop meaningful relationships with suppliers of Eastern African coffees. There is already strong interest from the VP of Peets Coffee, and executives from Kavanaugh Coffee, Boot Coffee, San Cristobal coffee, and others who participated in the regional coffee cupping training, or who we’ve met at international events. Interest is high to learn more about local suppliers who will be represented at the conference.

Maize. Private companies are utilizing the *Tradeafrica.biz* website at an ever increasing rate. As previously reported under KRA 1.2, the new site, managed by the RATES Trade Office, has registered 16 active companies from five countries. During the quarter, over \$5 million in inquiries to buy and \$2 million in offers to sell were posted . The website for CottonAfrica.com is in the design phase, and will soon offer the same services as tradeafrica.biz. RATES sponsored two business forms this quarter in Blantyre and Lusaka to promote business linkages in the maize sector. Participants included major buyers and sellers, and touched on the improving trade environment in both countries. The aim is to increase awareness, and communication among the major players in the maize trade.

Livestock. RATES hosted a private sector-based meeting in Dubai for exporters and importers of livestock. Several traders expressed interest in investing in activities which would expand the trade from Africa to Middle East including such interesting ideas as the creation of an airline to carry cargo from Djibouti to Dubai and extensive cross cultural visits to familiarize both sides with the trading environments of their clients. RATES is following up on these ideas with the AUIBAR team. RATES has begun the market assessments which include interviews with stakeholders in livestock production and trade to identify and develop increase opportunities for private sector buy ins and alliances. The RATES-supported team also completed the feasibility study for the Djibouti livestock holding pen. The study addressed private sector requirements of both buyers and sellers and was the major topic of the Dubai livestock meeting.

Maximize private sector contribution to RATES programs. Some examples include:

Coffee. Much of this work is discussed in previous sections. Of particular note, RATES hosted a series of private sector coffee stakeholder meetings in 5 countries to open the floor to discussion of issues affecting the coffee industry. EAFCA members themselves have provided important private sector support as they self fund travel, accommodation, etc. in order to participate in international exhibitions and meet with the buyers with whom they can trade.

Cotton. On December 4th, 2003 eight executives from the cotton/textile sector from six countries met at RATES invitation to brainstorm on the concept of regional integration and to provide input into a RATES intervention strategy.

Maize. The Regional Maize Trade Policy Conference held in September 2003 in Nairobi is a good example of private sector interest in, and support for serious change in the regional trade environment. The number of participants from the private sector, 37 out of the total number of 111 participants, clearly indicates a vote of confidence in the policy process and their contribution to the process was significant.

PIR 4: Program Management, Monitoring and Evaluation

Program Management

Program Management is integral to every RATES component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary.

KRA 4.1: Management and coordination mechanisms established

Strategy. The RATES project continues to require and have strong administrative coordination and management because of the fact that it is a large and complex project. RATES' management strategy is to continue to provide quality and timely service to both external and internal clients through the use of efficient administrative support. It is crucial to establish and maintain streamlined accounting, financial, and administrative procedures.

Continue RATES management systems. RATES continues to be a well-staffed and highly functional team of employees. As of December, 2003, the RATES project had 19 full-time employees which include 5 long-term employees through the RATES subcontracts (IDC, ITI, Land of Lakes and Computer Frontiers). Within this quarter, RATES added four new long-term professional staff members: cotton/textile specialist (Barry Fisher), coffee marketing specialist (Chris Von Zastrow), trade policy specialist (Shemmy Simuyemba) and dairy specialist (Moses Nyabila). As RATES is a complex and evolving project, the management systems continue to be developed and modified for the specifications of not only Chemonics and USAID but also the Kenyan employment laws. Progress this quarter:

Partners fund. During this quarter, RATES was very pleased to award its first Partners Fund funding of \$249,000 through a Fixed Amount Reimbursable Agreement (FARA) to the Eastern African Fine Coffees Association (EAFCA), a regional non-profit association representing coffee sectors in nine member countries. RATES technical staff has worked and will continue to work closely with EAFCA in supporting their objectives of enhancing the quality, competitiveness and profitability of the Eastern African coffees in global markets. A portion of this first FARA will go to support the implementation of the upcoming coffee conference, to be held in Nairobi in February, 2004.

Partners fund's operational manual. The RATES operations manager finalized administrative forms used to administer the Partners Funds to EAFCA (see above) which follows the FARA (Fixed Amount Reimbursable Agreement) requirements.

Personnel management systems. RATES conducted the first performance evaluation process on those full-time employees who have been with the project for one year. The performance evaluations are intended to assist employees in improving their overall professional and administrative skills which will directly contribute to the on-going efficiency of the RATES project.

KRA 4.2: Program monitoring and reporting needs met

Maintenance of the RATES M&E System. Activities focused on updating and maintaining the M&E tracking system. Activity Gantt charts for each commodity were entered into the Monitoring and Evaluation Information Systems (MEIS) database. The M&E Specialist trained each commodity specialists on the use of this software for reporting on the progress of their activities. The M&E data filing system in the shared (F) drive was re-organized for easier access by the COP and other RATES staff. This activity was aimed at improving accessibility and retrieval of relevant documents by RATES staff.

Data on dairy commodity exports and imports in the COMESA region were analyzed for use in planning of dairy interventions for 2004. The data measured the extent of intra and extra regional trade of various dairy products by COMESA countries. This activity directly addressed PIR 1 of the RATES Results Framework: Expanded Regional Trade Opportunities in Selected Sub Sectors.

Gathering of M&E data and information on the program's progress and results. An RATES conducted an internal and external institutional viability assessment of EAFCA in December. The Partner Institutional Viability Assessment Index, (PIVA), relates to KRA 2: Capacity of Selected Partners Strengthened. The tool was used to determine the institutional competency of EAFCA in six categories of organizational development (governance, operations and management, human resources development, financial resources, program and service delivery, and external relations and advocacy). This tool will measure EAFCA's level of viability, and can be classified as nascent, emerging, consolidating or viable. REDSO's organizational development advisor and the RATES M&E specialist worked together to conduct this assessment using participatory approaches. The team is currently preparing a report on their external assessment to be shared with EAFCA and RATES management.

Relevant program data and information was gathered by the M&E specialist, for inclusion in the annual PMP report including the level of participation in RATES events disaggregated by gender, sector and geographic location, growth in membership partner institutions, baseline and current year values (\$) of intra and extra regional trade in maize, specialty coffee, cotton and livestock , value (\$) of private sector contribution to RATES events, business income, and level of web site use as measured by unique visits to relevant web sites.

Reporting of RATES M&E results semi-annually to USAID in October. The first PMP report on the RATES program progress and results for 2002/2003 was prepared by RATES management, with input from the technical team. The PMP report was submitted to USAID during the first quarter 2003/2004.

III. Problems Encountered/Remedial Actions Taken

RATES has completed its first year of operation, and all systems are fully functional. We have now fully staffed the team, and placed advisors with our two main partners, EAFCA, and COMESA. There is a challenge maintaining close coordination with our staff in the field, and we have initiated regular conference calls to assist these team members to stay abreast of on-going RATES activities. We also will coordinate with these staff members whenever any RATES core personnel are in the region.

As the program gears up, we are feeling the pressure of working within our current obligated funding limits. Currently, the program is 1.4 million dollars below our estimated expenditures as indicated in our illustrative contract budget. We are now paying the “price” for carrying over some of last year’s September costs to this FY due to lower than expected funding last year. Our current projections for the remaining months of the FY indicate that our current funding may not be sufficient to cover all activities as planned. We will continue to work with REDSO to hopefully increase funding to levels that will allow the project to continue at its current pace. Without additional obligated funding, the program may have to initiate cutbacks in planned activities and institute other cost-saving measures.